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**National Farmers Union Statement
to the
The Citizens' Forum on the subject
of Canada's Future: A Public Sector
Response presented in...**

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national farmers union

In Union is Strength



National Farmers Union

Statement

to the

The Citizens' Forum

on the subject of

Canada's Future: A Public Sector Response

presented in

Saskatoon, Sask.

March 28, 1991

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We congratulate the National Union of Provincial Government Employees and the Public Service Alliance of Canada for sponsoring this and similar meetings across Canada to discuss the question of Canada's future. This subject has become a topic of universal debate.

The National Farmers Union is a voluntary membership organization of farm families. To our members, farming is more than just a business. It is a way of life that reaches beyond the primary economic preoccupation of being able to earn a living. Nonetheless, the direction and pull of agriculture policy in Canada has increasingly become disruptive and destructive to rural communities and farm families in particular. The increasing loss of social conscience in public policy has reduced farming for many to a struggle for survival. It has turned many dreams into nightmares and hope into uncertainty and despair.

We may ask: "Why has this happened?" Why have thousands of farm families been dispossessed over the past ten years? Why are an increasing number of farmers and/or their spouses being forced to seek off-farm employment just to maintain their standards of living or to put groceries on the kitchen table?

What is the nature of public policy in Canada that its citizens in general, including farm people, have increasingly become cynical toward the political process and the ability of politicians to protect the public good and welfare? What kind of



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mentality drives the attitude that self-sufficiency in the production of particular domestic commodities can be sacrificed if imports are cheaper?

These basic and fundamental questions arise from the current realities of agricultural policies. The answers are complex but include some of the following elements:

- High interest rates, deliberately maintained to "control inflation," have in fact been highly inflationary within the agriculture sector. Farming is a large user of credit for both operating and capital purchases. Productivity is penalized by high interest rates because the repayment of debt extracts a disproportionate share of the value of farm production. The bottom line for farm families is loss of farm income.

- International prices for many farm commodities, particularly grains and oilseeds, continue to be manipulated to gain market share in a trade war waged between the European Community and the United States. The "market economy" which is to reflect value of production based upon supply and demand theory is not permitted to function. As a result, many commodity prices have sunk to depression levels. Canadian farmers, as others elsewhere in the world, are victims of this international plunder. The resulting economic impact to our farmers has been staggering while national compensation has only fractionally offset income losses.

- In some cases, drought extracted its toll. Producers without production may receive crop insurance protection which is inadequate to survive sustained drought of several years. Droughts have been periodic throughout our history. They are inflicted by nature and while they can have devastating effects upon the ability of farmers to survive, it is the man-made policies of politicians and bureaucrats that are the real source of farm problems. Examples of these include:

The Canada-United States Trade Agreement (CUSTA) is proving to be highly damaging to Canadian agriculture. The NFU strongly opposed Canada's entry into this agreement and was the single farm organization in the country that consistently voiced strong opposition.

The CUSTA is barely two years old and the negative impacts are clearly evident. Consider some of the following events:

- Loss of the two-price system for wheat took place in 1988 even before formal implementation of the CUSTA occurred. The \$7/bushel for milling wheat used for domestic human consumption dropped overnight to about \$3.75/bushel. That represented a loss of \$250 million to grain producers. Since then, the Canadian Wheat Board has been forced to change its selling system to millers and processors by pricing Canadian wheat no higher than millers and processors could purchase it for in the U.S. The current price is about \$3.10/bushel, representing a further loss of \$50 million/year. Since the federal government has guaranteed the initial wheat price at \$135/t or \$3.67/bushel, the major part of that loss is borne by the federal treasury until August 1st at which time it is expected initial grain prices will be substantially reduced. It is worthy of note that despite the sharp decline in wheat prices, the retail price of bread has never declined but has in fact increased.

- The marketing of oats was removed from the jurisdiction of the Canadian Wheat Board commencing August 1, 1989. As a consequence, producers no longer have the protection of an initial price for oats or a price-pooling system under the Board.

- The export of hogs and pork to the U.S. has at various times been countervailed on the pretext that certain provincial programs and the federal stabilization program represent unfair subsidies to our producers. Several references to the dispute

settlement panel have been made but U.S. producers continue to issue challenges.

- Import quotas on supply-managed products such as eggs, broilers and turkeys have been doubled to accommodate U.S. demands.

- Supply-managed products such as eggs are now being required to price their product at greatly reduced prices to the processing sector in order that they might be "competitive" with U.S. processors. The Canadian Egg Marketing Agency (CEMA) now collects a levy of 13 cents per dozen from every registered producer in order to subsidize the sale of eggs to the processing sector. That represents a serious loss of income to producers.

- Increasingly, our grading and inspection systems for meat and grains are being harmonized to U.S. standards or compromised to meet the demands of U.S. corporate interests.

- While Canadian grain export prices are being decimated by the selling practices of U.S. multinationals and the U.S. Export Enhancement Program in violation of Section 7:01(4) of the CUSTA, our government has filed no formal protests but appears content to force producers to absorb lower prices.

- In 1990, the exports of feeder cattle to the U.S. increased by 350% over 1989. Our packing plant capacity is shrinking as is our market to the U.S. for dressed beef. So much for "value added" and "jobs, jobs, jobs."

- The federal government passed Bill C-15, the Plant Breeders' Rights Act, which is one further step to transfer control of the food chain into the hands of the private corporate sector. In the meanwhile, public funding for plant research has been steadily declining. Increasingly, university plant research projects are being funded by the private corporate sector to whom

the transfer of technology takes place in order to profit at the expense of farmers.

■ Interest-free cash advances on farm-stored grain were cancelled in 1989 but have been restored for one year because of the serious financial difficulty experienced in the farm sector last fall.

These are some examples of how we have fared to date under "free trade" without specifically outlining the serious damage that has been inflicted upon our vegetable industry.

It is generally believed that our orderly marketing and supply-managed agencies will not survive under CUSTA as border controls are loosened and other regulatory programs are modified or phased out.

The federal government's emphasis on deregulation, privatization and cost-recovery initiatives on services will be an increasing source of cost and reduced service to producers.

The prairie rail branch line system is undergoing pressures for accelerated abandonment procedures. A number of rail lines that were protected to the year 2000 are now being released for early abandonment. The grain elevator handling system is contracting and consolidating. While railways and elevator companies are improving their efficiencies, farmers are being forced to haul grain longer distances to market and adapt to greater inefficiencies.

The federal government has succeeded in off-loading a major part of the cost of farm stabilization programs onto provincial treasuries and producers. The most recent examples are the GRIP (gross revenue insurance plan) and NISA (net income stabilization account) programs.

Under the GRIP, the federal share of premium coverage for the revenue portion of this insurance plan will be 41 2/3% of the premium. Farmers will pay 33 1/3% and the provinces 25%. In the crop insurance portion of the GRIP, the federal government will now pay only 25% of the premium compared with the previous 50%. Provinces will now pay 25% and producers continue to pay 50%.

The Agriculture Stabilization Act which the GRIP replaces in Eastern Canada was previously funded 100% by the federal government.

The consequence of these changes is that the financial burdens of the provinces increase. Since some are in poorer financial shape than others and must provide lower coverages, we destroy our truly national programs and further balkanize the nation.

We have outlined a number of concerns we have over the direction of public policy in Canada. A major financial crisis exists in the farm sector that has not been satisfactorily addressed by the federal government. The Farm Debt Review Act has no real powers of arbitration or mediation. Consequently, the real power over farm debt solutions remains with creditors such as the chartered banks and the federal Farm Credit Corporation.

Family farms are being destroyed. The financial crisis is as insidious to rural communities as cancer is to a person. It continues to fester and weaken the community infrastructure until it becomes in-operative and disabled. To survive, communities need people. If farmers are forced out, eventually businesses fold and follow.

It is our belief that the federal government is largely insensitive to the real issues of importance in nation-building. They have demonstrated that time and again in other areas such as

VIA Rail, CBC cutbacks, post office closures, cutbacks in transfer payments to the provinces, privatization of major crowns such as Air Canada and soon to be privatized Petro Canada. Dare we recall events leading to passage of the G.S.T.? In all of these areas it is failing to listen to the people. It is unfit to govern.

While the globalization of trade has often been stated to be a reason for reorganizing our policies and institutions in order that we might remain "competitive" and "efficient," all the buzz-words to achieve those goals point in only one direction - acceptance of lower incomes - lower standards of living - weaker social programs and safety nets such as medicare, pensions and family allowances, reduced job opportunities and higher levels of unemployment. The weak become weaker. The strong become richer and more powerful.

In this process, Canada loses sovereignty in designing and implementing policies that are best for Canadians. Under the CUSTA, major government decisions are now often predicated on whether they would be compatible to Washington.

We are increasingly being Americanized culturally and economically as Canadian and U.S. multinationals reorganize and reorder their priorities and plans on the basis of profitability. The power of decision over our lives continues to be generously transferred from the domain of public government into the domain of the private governments and board rooms of multinational corporations. Like the process of osmosis, Canada is becoming diffused. The CUSTA should be scrapped and most assuredly we should not venture further into the world of corporate reorganization by becoming part of a U.S.-Mexico trade troika.

This is not the vision of Canada members of the NFU support.

We begin on the premise that people are important. Canada is a nation of rich natural resources. It has never been decimated by the destructive power of modern warfare. It has a broad variation in climate which lends itself to a wide range of food production. If people cannot live in our society in decency and dignity, we must look for fundamental shortcomings in the way in which it is governed.

Consider for a moment the following:

- The land claims and grievances of our native population remain largely unresolved. Thousands live in Third World conditions. Their despair has led to massive self-abuse from alcohol and drug-related addictions, violence, crime and unemployment. Few succeed in graduating from our education system. They represent a disproportionately high percentage of inmates in our prison system. Their infant mortality rate far exceeds the national average as do their rates of suicide. This blot upon our society must be resolved.

- In 1980, no food banks existed in Canada. Today, it is estimated over 900 are in operation throughout Canada offering food to several hundred thousand persons. They exist because there was a need and some people cared. The food banks are in operation in spite of governments and because governments have failed to provide adequate safety net programs for the disadvantaged in our society. Many thousands of people in our major cities are literally homeless. The number of street kids who have left home and/or dropped out of school is steadily increasing. This strata of disadvantaged is festering and weakening our society as a whole yet the first targets for budget cutbacks of our federal and provincial governments are our social programs.

- On the farm scene, the economic crisis has been felt most profoundly by mid-age farmers who entered into heavy debt in

the last half of the 1970s and early 1980s. High interest rates and low commodity prices followed with disastrous results. Thousands were displaced. While government payments have assisted somewhat, they are not the real answer to farm financial difficulties.

Farmers do not want to rely on ad hoc government subsidy and support payments. In 1987, 1988 and 1989 over 70% of realized net income came as the result of government programs (after deduction of producer premiums). In some provinces, government payments actually exceeded realized net income. Without them, farmers would have been in a negative income position.

Farmers require fair prices for their products based on production costs with returns on labour and investment.

Farmers require credit programs that are flexible and socially responsible when circumstances beyond their control such as natural disaster or international trade wars occur.

The experiences of the past decade clearly illustrate that recapitalizing land in every generation is costly and not necessarily the only approach a farmer can follow in order to gain security of tenure. A land bank program is feasible and workable if the will is there to have it in place. This approach may be the only practical way (other than through in-family transfers) that many young farmers may be able to establish themselves in farming. Some individuals attempt to do so through returning to the farm after some years of off-farm employment, however, this can be a difficult road.

Federal policy is totally deficient in this regard. The philosophy toward farming of Agriculture Canada leans heavily toward large high-tech operations which are based on the assumption that bigger is better. It is grounded on a cheap-food-at-the-farm-

gate policy. It is also an approach adaptable to greater corporate intervention and control.

We do not subscribe to that theory. We believe operations that can be more labour-intensive, diversified, and of smaller-scale can be equally profitable and more responsible from an ecological and conservation perspective than are many expansive operations. The current Agriculture Canada policy review process which began in January 1990 is certain to result in far-reaching changes intended to further industrialize farming.

The Agriculture Canada mentality also leans heavily toward the encouragement of off-farm employment for farmers and farm family members as a means of supplementing farm income.

We strongly disagree with this approach to the subsidization of food production. Generally, we believe most farmers much prefer to entirely earn their livelihood from farming. It is a more responsible way of providing stewardship to the land. It is more socially responsible from the standpoint of strengthening family relations and community ties. Farmers should not need to compete for scarce jobs with the unemployed. Civil servants should understand that they do not need to hold second jobs in order to survive. Farming is a job and in order to do it well, the farmer needs to manage his time to best advantage.

NFU policy leans heavily toward supporting the principles of orderly marketing of farm products. We believe it only sensible that the concepts of one-desk selling and price-pooling be employed whenever possible to maximize market returns. Federal policy pays lip service to orderly marketing but does nothing to initiate its implementation if it reduces market power for corporations.

Canada's rail transportation policy is out of control. The power for determining the future configuration of the prairie

grain gathering system is securely vested in the hands of the railway companies. Both major systems need to be nationalized in order to serve national interests.

CONCLUSION:

We have outlined in fairly broad terms a number of shortcomings in our society as we see them. The list is by no means definitive nor are the solutions but hopefully they will indicate that we have difficulty in reconciling the approach to governing Canada that is now taking place.

Canada is a great nation but it has the potential to be so much greater. We have natural resources in such abundance as to be the envy of most other nations in the world. Still, we feel we are in a state of decline - politically, industrially, economically and socially. We may be a tragedy in the making.

At the beginning of this century, about 50% of the population was rural. Today, the farm population represents less than 4% of Canada's population. It is a \$20 billion industry at the production level.

Sometimes farm people question whether society fully appreciates the contribution of agriculture to our economy. We do not want to be tossed aside onto a scrap heap of redundancy. After all, everyone has to eat. Food production, processing and other related services accounts for about 15% of the entire Canadian labour force. But it has been in a state of decline and as an organization, we are fighting strongly to prevent farming in Canada from being "cancelled due to lack of interest."

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All of Which is Respectfully
Submitted by:

NATIONAL FARMERS UNION

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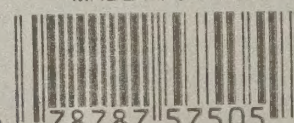


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